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Message Text

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ACTION EA-12

INFO OCT-01 ARA-10 EUR-12 ISO-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 ICA-11
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
DOE-15 SOE-02 OES-07 EPA-01 CEQ-01 PA-01 NSC-05
SS-15 STR-07 CEA-01 L-03 GSA-02 /145 W
----------010353 300354Z /20
R 300159Z MAY 78
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 4664
INFO AMEMBASSY BANGKOK
AMEMBASSY SINGAPORE
AMEMBASSY JAKARTA
AMEMBASSY LA PAZ
AMEMBASSY LONDON

C O N F I D E N T I A L KUALA LUMPUR 4809

E.O.11652: GDS
TAGS: ETRD, MY
SUBJECT: CONVERSATION WITH DEPUTY MINISTER OF PRIMARY INDUSTRIES:
TIN AND RUBBER

1. SUMMARY. AT LATTER'S REQUEST, ECON COUNSELOR BRIEFED
DEPUTY MINISTER OF PRIMARY INDUSTREIS ON STATUS OF TIN
STOCKPILE LEGISLATION. IN GENERAL CONVERSATION ON TIN
AND RUBBER, DEPUTY MINISTER AGREED THAT TAXES SHOULD BE LOWER,
BUT EXPRESSED PESSIMISM REGARDING FUTURE TIN
PRODUCTION IN MALAYSIA BECAUSE OF INCREASING COSTS AND
DECLINGING RESERVES. END SUMMARY.

2. PAUL LEONG, DEPUTY MINISTER OF PRIMARY INDUTRIES, CALLED
IN ECON COUNSELOR FOR UP-DATE ON STATUS OF U.S. TIN
STOCKPILE DISPOSAL LEGISLATION. ECON COUNSELOR INFORMED
HIM THAT THERE WERE TWO DIFFERENT BILLS, ON IN THE HOUSE
PRIVIDING FOR THE 5,000 TONS BUFFER STOCK CONTRIBUTION
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AND AUTHORIZATION FOR THE ADMINISTRATION TO DISPOSE
OF 30,000 TONS OF TIN FROM STOCKPILE, AND
ANOTHER IN THE SENATE, THE UDALL-DECONCINI BILL,
WHICH AUTHORIZES DISPOSAL OF 45,000 TONS OF TIN AND
THE USE OF PART OF THE PROCEEDS FOR THE PURHCASE
OF COPPER. AFTER EXPLAINING THE U.S. LEGISLATIVE
PROCESS AND THE FUNCTION OF TEH CONFERENCE COMMITTEE,

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HE SAID THE U.S. GOVERNMENT HOPES FOR A FINAL
BILL BEFORE THE NEXT MEETING OF THE INTERNATIONAL
TIN COUNCIL IN JULY. THIS WOULD ENABLE US TO TAKE
ANOTHER LOOK AT THE PRICE SITUATION.

3. ECON COUNSELOR RAISED THE CONTINUING CONCERN
OF THE USG REGARDING THE HIGH TAXES ON TIN PRODUCTION
AND EXPORT IN THE PRODUCING COUNTRIES AND ITS EFFECT
ON PRODUCTION AND COSTS. LEONG SAID HE HAD AN
APPOINTMENT TO MEET THAT AFTERNOON WITH THE TIN MINERS
WHO ARE ALSO PRESSING THE GOVERNMENT STRONGLY TO
LOWER TAXATION. HE RAISED A NEW JUSTIFICATION, SAYING
TIN MINING CREATED SEVERE ENVIRONMENTAL PROBLEMS.
WORKED OUR MINIS LEAVE BEHIND AN EXPENSIVE BURDEN ON
THE GOVERNMENT AND DEVELOPERS TO RESTORE AND FILL IN
THE LAND. ECON COUNSELOR RESPONDED THAT MALAYSIAN
GOVERNMENT RECEIPTS ARE STRONG AND SHOW CONTINUED
INPROVEMENT WITH GROWING OIL REVENUES, THAT A
REASONABLE REDUCTION IN TAXES WOULD IMPRESS THE
U.S. ADMINISTRATION AND CONGRESS WITHT EH SINCERITY
OF THE MALAYSIAN GOVERNMENT, AND WOULD PUT THE
PRODUCERS IN A STRONGER BARGAINING POSITION ON
THE PRICE ISSUE. LEONG AGREED. HE SAID THAT HE
PERSONALLY, AS WELL AS HIS MINISTRY, WAS IN FAVOR OF
LOWER TAXES BUT THAT THE REAL OBSTACLE WAS THE
MINISTRY OF FINANCE, WHICH HAS BEEN VERY STUBBORN
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ON THIS ISSUE.

4. LEONG SAID THAT, IN HIS OPINION, EVEN WITH A
TAX REDUCTION, PRODUCTION OF TIN WILL CONTINUE TO
DECLINE IN MALAYSIA BECAUSE COSTS ARE GOING UP AND
AVAILABLE RESERVES ARE DISAPPEARING. HE SAID HE KNEW
OF TWO SOURCES OF RESERVES WHICH HE WOULD LIKE TO SEE
EXPLOITED; ON IS THE AREA IN PERAK WHICH IS
CURRENTLY CONSIDERED INSECURE BECAUSE OF TERRORISTS.
THE GOVERNMENT DOES NOT ALLOW PRIVATE DEVELOPERS
TO OPEN MINES THERE. LEONG IS IN FAVOR OF QUASI-
PUBLIC COMPANY COMPOSED OF RETIRED SOLDIERS AND
POLICE TO OPERATE MINES IN THOSE REGIONS. THIS WOULD
IMPROVE SECURITY AND ALSO PRODUCE MORE TIN. HE HAD
SUGGESTED IT TO OTHER MEMBERS OF THE GOVERNMENT
AND THERE HAD BEEN SOME INTEREST. ANOTHER SOUCE OF
NEW TIN IS IN THE MALAY RESERVED LANDS. LEONG
WOULD LIKE TO SEE THE GOVERNMENT FORM A BUMI-
PUTRA COMPANY TO MINE THOSE RESERVES.

5. GOING BACK TO THE ISSUE OF TAXATION, LEONG SAID HE WAS
VERY CONCERNED ABOUT THE TAX ON RUBBER PRODUCTION. HE

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POINTED OUT THAT FIFTY SEVEN PERCENT OF PRODUCTION,
AND HENCE FIFTY SEVEN PERCENT OF THE TOTAL REVENUES,
COME FROM SMALL HOLDERS, ONE OF THE SEVEN POVERTY
GROUPS THAT THE GOVERNMENT HAS BEEN TRYING TO ASSIST.
IN THIS CASE, INSTEAD OF AIDING THEM, THE GOVERNMENT
TAKES MONEY AWAY FROM THEM. HE THOUGHT THE GOVERNMENT
WAS LUCKY THAT THE OPPOSITION HAD NOT DISCOVERED THIS
ISSUE. HE SAID HE HAD DISCUSSED THIS WITH OTHER MEMBERS
OF THE GOVERNMENT BUT SO FAR HAS NOT MADE MUCH
HEADWAY.

6. ECON COUNSELOR PROMISED LEONG THAT HE WOULD ADVISE HIM
OF FURTHER DEVELOPMENTS ON THE STOCKPILE
DISPOSAL LEGISLATION. EMBASSY GREATLY APPRECIATES
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DILIGENCE WITH WHICH DEPARTMENT HAS KEPT US INFORMED
SO FAR AND HOPES IT WILL CONTINUE TO DO SO.
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Control Number: n/a
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Decaption Date: 01 jan 1960
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Disposition Approved on Date:
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